



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010 R	2011 R		2011 R	2010 R
<b>24. PUBLIC CONTRIBUTIONS AND DONATIONS continued</b>				
<b>24.1.2 Developers' Contributions</b>				
309,876	126,725	Balance unspent at beginning of year	126,725	309,876
1,326,177	3,548,615	Current year receipts	3,548,615	1,326,177
(1,509,328)	(205,916)	Conditions met - transferred to Revenue: Operating Expenses	(205,916)	(1,509,328)
-	-	Conditions met - transferred to Revenue: Capital Expenses	-	-
<b>126,725</b>	<b>3,469,424</b>	Conditions still to be met - transferred to Liabilities (see Note 9)	<b>3,469,424</b>	<b>126,725</b>
The District Municipality receives funds from Public Donors to provide humanitarian aid in various instances. These contributions were utilised for these purposes. No funds have been withheld.				
<b>25. SERVICE CHARGES</b>				
184,990,540	168,240,781	Sale of Water	168,240,781	184,990,540
61,738,918	72,039,707	Sewerage and Sanitation Charges	72,039,707	61,738,918
<b>246,729,458</b>	<b>240,280,488</b>	<b>Total Service Charges</b>	<b>240,280,488</b>	<b>246,729,458</b>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.				
<b>26. RENTAL OF FACILITIES AND EQUIPMENT</b>				
792,249	955,738	Rental Revenue from Other Facilities	955,738	792,249
<b>792,249</b>	<b>955,738</b>	<b>Total Rental of Facilities and Equipment</b>	<b>955,738</b>	<b>792,249</b>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.				
<b>27. INTEREST EARNED</b>				
<b>External Investments:</b>				
1,828,100	3,297,946	Bank Account	3,408,693	1,961,064
271,772	402,301	Short-term Investments	402,301	273,712
2,162,711	2,461,115	Long-term Investments	2,461,115	2,162,711
<b>4,262,583</b>	<b>6,161,362</b>		<b>6,272,109</b>	<b>4,397,487</b>
<b>Outstanding Debtors:</b>				
1,028,968	1,606,472	Outstanding Billing Debtors	1,606,472	1,028,968
37,445,569	15,464,940	Fair Value adjustment of Service Charges	15,464,940	37,445,569
<b>38,474,536</b>	<b>17,071,412</b>		<b>17,071,412</b>	<b>38,474,536</b>
<b>42,737,119</b>	<b>23,232,774</b>	<b>Total Interest Earned</b>	<b>23,343,521</b>	<b>42,872,024</b>
Interest Earned has been restated to correctly disclose the accrual for External Interest. Refer to Note 40.1 on "Correction of Error" for details of the restatement.				
Interest Earned on Financial Assets, analysed by category of asset, is as follows:				
2,099,872	3,700,247	Available-for-Sale Financial Assets	3,810,994	2,234,776
38,474,536	17,071,412	Loans and Receivables	17,071,412	38,474,536
2,162,711	2,461,115	Held-to-Maturity Investments	2,461,115	2,162,711
<b>42,737,119</b>	<b>23,232,774</b>		<b>23,343,521</b>	<b>42,872,024</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010	2011		2011	2010
R	R		R	R
<b>28. OTHER REVENUE</b>				
93,768,323	106,484,245	Internal Recoveries	106,484,245	93,768,323
13,825,739	9,130,321	Sundry Services Rendered	9,130,321	13,825,739
149,727	181,344	Tender Deposits Forfeited	181,344	149,727
89,666	2,352	Other Revenue	983,767	909,640
<b>107,833,455</b>	<b>115,798,262</b>	<b>Total Other Revenue</b>	<b>116,779,676</b>	<b>108,653,428</b>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Internal Recoveries are journalised from other trading and economic services.				
<b>29. EMPLOYEE RELATED COSTS</b>				
116,077,422	144,564,478	Employee Related Costs - Salaries and Wages	147,471,870	118,949,062
34,240,242	31,249,589	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	31,518,677	34,509,334
19,176,060	20,350,395	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	20,397,576	19,214,505
1,150,877	1,025,310	Housing Benefits and Allowances	1,025,310	1,150,877
20,178,135	19,363,455	Overtime Payments	19,474,853	20,248,669
342,759	-	Performance Bonuses	254,685	342,759
3,600,376	4,726,936	Defined Benefit Plan Expense:	4,726,936	3,600,376
2,137,922	2,520,211	Current Service Cost	2,520,211	2,137,922
2,304,455	2,437,546	Interest Cost	2,437,546	2,304,455
(842,000)	(230,820)	Net Actuarial (gains)/losses recognised	(230,820)	(842,000)
-	-	Vested Past Service Cost	-	-
<b>194,765,871</b>	<b>221,280,163</b>	<b>Total Employee Related Costs</b>	<b>224,869,907</b>	<b>198,015,582</b>
Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant. Loans to employees are set out in Note 15.				
<b>Remuneration of Section 57 Employees:</b>				
<b>Municipality:</b>				
<b>Remuneration of the Municipal Manager</b>				
570,016	612,745	Annual Remuneration	612,745	570,016
-	-	Leave Encashed	-	-
413,020	426,654	Car, Entertainment, Housing, Subsistence and Other Allowances	426,654	413,020
89,369	-	Performance Bonus	-	89,369
11,201	11,337	Contributions to UIF, Medical and Pension Funds	11,337	11,201
<b>1,083,605</b>	<b>1,050,736</b>	<b>Total</b>	<b>1,050,736</b>	<b>1,083,605</b>
<b>Remuneration of the Deputy Municipal Manager</b>				
642,451	690,635	Annual Remuneration	690,635	642,451
-	-	Leave Encashed	-	-
238,351	257,323	Car, Entertainment, Housing, Subsistence and Other Allowances	257,323	238,351
72,389	-	Performance Bonus	-	72,389
9,790	9,965	Contributions to UIF, Medical and Pension Funds	9,965	9,790
<b>962,981</b>	<b>957,923</b>	<b>Total</b>	<b>957,923</b>	<b>962,981</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010	2011		2011	2010
R	R		R	R
<b>Remuneration of the Chief Financial Officer</b>				
368,785	397,753	Annual Remuneration	397,753	368,785
-	-	Leave Encashed	-	-
334,575	373,139	Car, Entertainment, Housing, Subsistence and Other Allowances	373,139	334,575
66,506	-	Performance Bonus	-	66,506
107,037	113,091	Contributions to UIF, Medical and Pension Funds	113,091	107,037
<b>876,902</b>	<b>883,983</b>	<b>Total</b>	<b>883,983</b>	<b>876,902</b>
<b>Remuneration of the General Manager: Corporate Services</b>				
570,755	636,894	Annual Remuneration	636,894	570,755
-	-	Leave Encashed	-	-
192,024	219,741	Car, Entertainment, Housing, Subsistence and Other Allowances	219,741	192,024
-	-	Performance Bonus	-	-
8,484	9,606	Contributions to UIF, Medical and Pension Funds	9,606	8,484
<b>771,264</b>	<b>866,241</b>	<b>Total</b>	<b>866,241</b>	<b>771,264</b>
<b>Remuneration of the General Manager: Infrastructure and Economic Development</b>				
246,759	636,894	Annual Remuneration	636,894	246,759
-	-	Leave Encashed	-	-
148,115	226,314	Car, Entertainment, Housing, Subsistence and Other Allowances	226,314	148,115
-	-	Performance Bonus	-	-
4,237	9,649	Contributions to UIF, Medical and Pension Funds	9,649	4,237
<b>399,110</b>	<b>872,857</b>	<b>Total</b>	<b>872,857</b>	<b>399,110</b>
<b>Remuneration of the General Manager: Water Services</b>				
579,586	636,895	Annual Remuneration	636,895	579,586
27,403	-	Leave Encashed	-	27,403
206,928	212,298	Car, Entertainment, Housing, Subsistence and Other Allowances	212,298	206,928
66,506	-	Performance Bonus	-	66,506
8,052	8,067	Contributions to UIF, Medical and Pension Funds	8,067	8,052
<b>888,475</b>	<b>857,260</b>	<b>Total</b>	<b>857,260</b>	<b>888,475</b>
<b>Remuneration of the General Manager: Operations</b>				
494,365	554,796	Annual Remuneration	554,796	494,365
-	-	Leave Encashed	-	-
273,858	294,397	Car, Entertainment, Housing, Subsistence and Other Allowances	294,397	273,858
-	-	Performance Bonus	-	-
8,521	9,565	Contributions to UIF, Medical and Pension Funds	9,565	8,521
<b>776,744</b>	<b>858,758</b>	<b>Total</b>	<b>858,758</b>	<b>776,744</b>
<b>Remuneration of the Senior Manager: Strategy and Shared Services</b>				
442,601	485,782	Annual Remuneration	485,782	442,601
36,296	32,121	Leave Encashed	32,121	36,296
157,968	161,927	Car, Entertainment, Housing, Subsistence and Other Allowances	161,927	157,968
47,988	-	Performance Bonus	-	47,988
7,808	7,972	Contributions to UIF, Medical and Pension Funds	7,972	7,808
<b>692,662</b>	<b>687,802</b>	<b>Total</b>	<b>687,802</b>	<b>692,662</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:			
<b>Post Employment Benefits:-</b>			
44,378	46,949	46,949	44,378
<b>44,378</b>	<b>46,949</b>	<b>46,949</b>	<b>44,378</b>
<b>Other Long-term Benefits:-</b>			
25,031	44,186	44,186	25,031
<b>25,031</b>	<b>44,186</b>	<b>44,186</b>	<b>25,031</b>
<b>Staff Leave Benefits:-</b>			
118,404	151,789	151,789	118,404
104,591	175,974	175,974	104,591
45,437	63,696	63,696	45,437
45,525	66,772	66,772	45,525
69,630	56,047	56,047	69,630
52,125	82,664	82,664	52,125
61,662	59,629	59,629	61,662
63,376	63,051	63,051	63,376
<b>560,749</b>	<b>719,622</b>	<b>719,622</b>	<b>560,749</b>
<b>Entity:</b>			
<b>Remuneration of the Chief Executive Officer</b>			
		653,888	701,448
		13,200	13,640
		70,567	75,576
		1,497	8,915
		<b>739,152</b>	<b>799,579</b>
<b>Remuneration of the General Manager: Finance and Human Resources</b>			
		282,960	303,912
		-	-
		30,000	32,160
		4,433	4,725
		<b>317,393</b>	<b>340,797</b>
<b>Remuneration of the General Manager: Development</b>			
		282,960	303,912
		-	-
		30,000	32,160
		4,261	4,561
		<b>317,221</b>	<b>340,633</b>
<b>Remuneration of the General Manager: Marketing</b>			
		160,740	289,440
		-	-
		-	34,840
		2,437	4,272
		<b>163,177</b>	<b>328,552</b>





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010 R	2011 R		2011 R	2010 R
<b>30. REMUNERATION OF COUNCILLORS / BOARD MEMBERS</b>				
729,180	731,118	Mayor	731,118	729,180
537,783	469,052	Deputy Mayor	469,052	537,783
520,926	519,347	Speaker	519,347	520,926
1,716,355	1,732,386	Executive Committee Members	1,732,386	1,716,355
2,962,297	2,739,927	Councillors / Board Members	2,797,497	3,060,772
<b>6,466,540</b>	<b>6,191,830</b>	<b>Total Councillors' Remuneration</b>	<b>6,249,400</b>	<b>6,565,015</b>
<b>In-kind Benefits</b>				
The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.				
Councillors may utilise official Council transportation when engaged in official duties.				
The following additional personal support is provided by the municipality:				
(i) The Mayor has one full-time bodyguard and one full-time driver.				
(ii) The Deputy Mayor has one full-time aide, fulfilling various personal duties.				
(iii) The Speaker has one full-time driver.				
<b>31. DEPRECIATION AND AMORTISATION</b>				
41,793,795	47,524,047	Depreciation: Property, Plant and Equipment	47,650,065	41,869,135
2,924,381	1,629,704	Amortisation: Intangible Assets	1,708,282	2,957,212
<b>44,718,176</b>	<b>49,153,751</b>	<b>Total Depreciation and Amortisation</b>	<b>49,358,347</b>	<b>44,826,347</b>
<b>32. IMPAIRMENT LOSSES</b>				
<b>32.1 Impairment Losses on Fixed Assets</b>				
7,105,744	-	<b>Impairment Losses Recognised:</b>	-	7,105,744
7,105,744	-	Property, Plant and Equipment	-	7,105,744
-	-	Intangible Assets	-	-
-	-	<b>Impairment Losses Reversed:</b>	-	-
-	-	Property, Plant and Equipment	-	-
-	-	Intangible Assets	-	-
<b>7,105,744</b>	<b>-</b>		<b>-</b>	<b>7,105,744</b>
<b>32.2 Impairment Losses on Financial Assets</b>				
17,839,734	29,172,443	<b>Impairment Losses Recognised:</b>	29,522,443	17,839,734
14,846,112	27,209,859	Consumer Debtors	27,559,859	14,846,112
2,993,622	1,962,583	Other Debtors	1,962,583	2,993,622
-	(1,272,025)	<b>Impairment Losses Reversed:</b>	(1,272,025)	-
-	-	Consumer Debtors	-	-
-	(1,272,025)	Other Debtors	(1,272,025)	-
<b>17,839,734</b>	<b>27,900,418</b>		<b>28,250,418</b>	<b>17,839,734</b>
<b>24,945,478</b>	<b>27,900,418</b>	<b>Total Impairment Losses</b>	<b>28,250,418</b>	<b>24,945,478</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010 R	2011 R		2011 R	2010 R
		<b>33. FINANCE COSTS</b>		
9,250,876	20,839,281	Loans and Payables at amortised cost	20,839,281	9,250,876
49,196	-	Finance Leases	-	49,196
-	138,297	Other Interest Paid	138,485	4,200
<b>9,300,073</b>	<b>20,977,578</b>	<b>Total Interest Paid on External Borrowings</b>	<b>20,977,766</b>	<b>9,304,273</b>
		The weighted average capitalisation rate on funds borrowed generally is 9,33% per annum (2010: 3,64% per annum).		
		<b>34. BULK PURCHASES</b>		
25,672,081	31,839,355	Water	31,839,355	25,672,081
<b>25,672,081</b>	<b>31,839,355</b>	<b>Total Bulk Purchases</b>	<b>31,839,355</b>	<b>25,672,081</b>
		Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk Water is purchased from the Umgeni Water Board and eThekweni Municipality.		
		<b>35. CONTRACTED SERVICES</b>		
161,489	114,855	Agency Services	114,855	161,489
204,605	30,068	Alarm Monitoring Services	30,068	204,605
126,759	138,100	Cash Banking Services	138,100	126,759
85,990	103,920	Chemistry Services	103,920	85,990
1,121,329	1,248,798	Cleaning Services	1,248,798	1,121,329
6,314,807	5,381,141	Consultants' Fees	5,525,254	6,317,353
349,643	223,476	Internal Audit Services	223,476	349,643
7,476,327	8,945,771	Security Services	9,055,588	7,534,242
871,738	315,537	Other Contracted Services	315,537	871,738
<b>16,712,687</b>	<b>16,501,666</b>	<b>Total Contracted Services</b>	<b>16,755,596</b>	<b>16,773,147</b>
		<b>36. GRANTS AND SUBSIDIES PAID</b>		
35,927,570	44,779,367	Low Income Subsidy	44,779,367	35,927,570
168,676,469	83,210,598	Community Projects	74,210,598	160,676,469
5,355,760	15,415,683	Drought Relief	15,415,683	5,355,760
5,909,143	2,309,439	Other Benevolent Organisations and Grants-in-Aid	2,309,439	5,909,143
<b>215,868,942</b>	<b>145,715,087</b>	<b>Total Grants and Subsidies</b>	<b>136,715,087</b>	<b>207,868,942</b>
		The Low Income Subsidy is in respect of providing basic service levels to indigent households. Refer to Note 23.1.		
		Community Projects consist primarily of Ventilated Pit Latrines (VIPs) constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality's sanitation backlog programme as funded through the Municipal Infrastructure Grant.		
		Drought Relief is meant to provide relief to areas not being supplied with potable water under conditions of drought.		
		In respect of Grants-in-Aid, the Mayor makes grants available on application after consultation with the Municipal Manager / Executive Committee on the merits of such an application.		



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010 R	2011 R		2011 R	2010 R
<b>37. GENERAL EXPENSES</b>				
Included in General Expenses are the following:				
3,940,513	113,206	2010 FIFA Soccer World Cup Contingency	113,206	3,940,513
1,534,339	1,785,665	Accommodation, Seminars and Travelling	1,897,079	1,727,744
561,610	492,982	Advertising	2,055,223	2,110,261
1,942,013	2,169,322	Audit Fees	2,498,942	1,977,150
4,192,731	3,833,673	Cellphones, Internet and Telephones	4,097,967	4,456,559
592,679	348,507	Cleaning Materials and Chemicals	348,507	592,679
934,432	934,958	Commission Paid	934,958	934,432
1,446,777	2,600,640	Consultant IT Support	2,600,640	1,446,777
22,099,363	27,735,730	Electricity	27,794,502	22,137,921
3,033,454	3,789,604	Events and Programmes	7,308,100	6,203,079
1,529,821	1,448,827	Insurance General	1,479,447	1,554,859
7,430,831	9,195,595	Fuel and Oil	9,195,595	7,430,831
2,802,307	3,864,272	Gardening Services	3,864,272	2,802,307
3,691,366	1,327,670	Kwanaloga Games	1,327,670	3,691,366
881,148	1,297,858	Kwanaloga Subscriptions	1,297,858	881,148
1,411,784	3,807,614	Legal Expenses	3,843,403	1,496,325
2,349,474	2,802,450	Licences	2,802,450	2,349,474
1,579,349	1,180,972	Loose/Small Tools	1,180,972	1,579,349
1,266,823	1,533,286	Marketing Expenses	1,541,201	1,283,228
5,418,583	7,249,115	Materials	7,249,115	5,418,583
1,392,941	1,802,788	Postage	1,808,163	1,396,839
1,007,224	656,595	Printing and Stationery	750,203	1,064,972
-	639,412	Property Transfers	639,412	-
-	703,912	Public Participation	829,171	32,438
572,885	664,129	Refreshments	709,957	614,365
4,057,466	3,959,729	Rentals - Property, Plant and Equipment	4,384,297	4,366,912
1,419,598	1,012,864	Staff Training	1,482,127	1,646,961
-	2,763,861	Sports and Leisure Centre	2,763,861	-
5,720,939	4,693,465	Transport Costs	4,694,965	5,720,939
296,836	635,630	Uniforms and Protective Clothing	645,427	340,187
164,633	684,073	Vehicle Tracking	684,073	164,633
979,524	1,219,859	Workmen's Compensation Insurance	1,219,859	979,524
93,768,323	106,484,245	Internal Charges	106,484,245	93,768,323
2,895,474	3,171,700	Other General Expenses	3,557,808	3,006,188
<b>180,915,243</b>	<b>206,604,206</b>	<b>Total General Expenses</b>	<b>214,084,673</b>	<b>187,116,869</b>

The amounts disclosed above for Soccer World Cup Contingency are in respect of costs incurred to host Team Algeria at the Ugu Sports and Leisure Centre, being the base camp for training.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Internal Charges are journalised to other trading and economic services for support services rendered.



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010	2011		2011	2010
R	R		R	R
17,469,613	17,524,858	37.1 Material Losses	17,524,858	17,469,613
17,469,613	17,524,858	Estimated Non-revenue Water (NRW)	17,524,858	17,469,613
		<p>The amounts disclosed above for <b>Water Losses</b> are in respect of production costs incurred in the extraction, purification, storage and distribution of water by the municipality; hence the restatement of the comparative amount from R33 038 656 to R17 469 613.</p> <p>A five year strategic non-revenue water reduction plan was adopted and implemented by the Executive Committee in May 2008. The below-mentioned technical information was derived at as part of the implementation plan:</p>		
		<b>Volumes in Ml/year:</b>		
32,093	35,430	System Input Volume	35,430	32,093
20,621	23,818	Billed Authorised Consumption	23,818	20,621
986	984	Unbilled Authorised Consumption	984	986
3,146	3,254	Apparent Losses	3,254	3,146
7,340	7,374	Real Losses	7,374	7,340
11,472	11,612	NRW	11,612	11,472
		No other extra-ordinary expenses were incurred.		
		<b>38. OTHER GAINS AND LOSSES</b>		
-	-	Gains in Acquisition of Shareholding in Ugu - South Coast Tourism Entity	-	3,204,503
-	-	<b>Net Other Gains and Losses</b>	-	<b>3,204,503</b>
		<p>Gains in the Acquisition of Shareholding in Ugu - South Coast Tourism Entity represents the Net Assets of the Entity upon acquisition in terms of IFRS 3.34.</p>		
		<b>39. CHANGE IN ACCOUNTING POLICY</b>		
		<b>Municipality / Group:</b>		
		<p>The municipality adopted the exempted portions of the following Accounting Standards for the first time during the financial year 2010/11 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2010:</p>		
		- GRAP 21 Impairment of Non-cash-generating Assets		
		- GRAP 23 Revenue from Non-exchange Transactions		
		- GRAP 26 Impairment of Cash-generating Assets		
		- GRAP 104 Financial Instruments		
		<b>GRAP 104 - Financial Instruments</b>		
		<p>The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments.</p>		





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY	
2010 R	2011 R

GROUP	
2011 R	2010 R

### 39.1 Reclassification of Financial Instruments

The municipality opted to develop an Accounting Policy based on GRAP 104, Financial Instruments. The effect of this change in Accounting Policy is summarised in the following table that indicates the effect of the classification and measurement adjustments to the municipality's Financial Instruments as at 30 June 2010.

	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
<b>FINANCIAL ASSETS:</b>				
Long-term Receivables				
Relocation Loans	Loans and receivables	Amortised cost	10,496	10,496
Sundry Loans	Loans and receivables	Amortised cost	18,293	18,293
<b>Trade Receivables from Exchange Transactions</b>				
Sewerage	Loans and receivables	Amortised cost	9,955,238	9,955,238
Water	Loans and receivables	Amortised cost	11,241,100	11,241,100
Water Rate Debtors	Loans and receivables	Amortised cost	21,354,635	21,354,635
Other Trade Debtors	Loans and receivables	Amortised cost	2,724,774	2,724,774
<b>Trade Receivables from Non-exchange Transactions</b>				
Municipal Entities	Loans and receivables	Amortised cost	-	-
Sundry Deposits	Loans and receivables	Amortised cost	1,017,415	1,017,415
Sundry Debtors	Loans and receivables	Amortised cost	2,957,734	2,957,734
<b>Bank, Cash and Cash Equivalents</b>				
Call Deposits	Available for sale	Fair value	28,037,571	28,037,571
Notice Deposits	Held to maturity	Amortised cost	5,524,964	5,524,964
Short-term Portion of Investments	Held to maturity	Amortised cost	17,838,885	17,838,885
Bank Balances	Available for sale	Fair value	103,672,937	103,672,937
Cash Floats and Advances	Available for sale	Fair value	22,481	22,481
<b>Current Portion of Long-term Receivables</b>				
Relocation Loans	Loans and receivables	Amortised cost	11,158	11,158
<b>FINANCIAL LIABILITIES:</b>				
<b>Long-term Liabilities</b>				
Annuity Loans	Financial liabilities at amortised cost	Amortised cost	219,097,288	219,097,288
Finance Lease Liabilities	Financial liabilities at amortised cost	Amortised cost	2,176,914	2,176,914
<b>Consumer Deposits</b>				
Water	Financial liabilities at amortised cost	Fair value	17,765,540	17,765,540



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP			
2010 R	2011 R		2011 R	2010 R	
		Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
<b>Creditors</b>					
Trade Creditors		Financial liabilities at amortised cost	Amortised cost	29,132,271	29,132,271
Payments received in Advance		Financial liabilities at amortised cost	Amortised cost	3,192,112	3,192,112
Retentions		Financial liabilities at amortised cost	Fair value	11,802,594	11,802,594
Staff Bonuses		Financial liabilities at amortised cost	Amortised cost	7,220,811	7,220,811
Staff Leave		Financial liabilities at amortised cost	Amortised cost	8,179,581	8,179,581
Projects		Financial liabilities at amortised cost	Amortised cost	49,795,096	49,795,096
Other Creditors		Financial liabilities at amortised cost	Amortised cost	14,562,978	14,562,978
<b>Bank Overdraft</b>					
Bank Overdraft		Financial liabilities at amortised cost	Fair value	4,465	4,465
<b>Current Portion of Long-term Liabilities</b>					
Local Registered Stock		Financial liabilities at amortised cost	Amortised cost	20,300,000	20,300,000
Annuity Loans		Financial liabilities at amortised cost	Amortised cost	7,018,972	7,018,972
Finance Lease Liabilities		Financial liabilities at amortised cost	Amortised cost	6,965,865	6,965,865

### Effect of the Change in Accounting Policy:

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2010 and the Accumulated Surplus of prior years was not affected either.

## 40. CORRECTION OF ERROR

### Municipality / Group:

#### 40.1 Reclassification of External Interest Earned and Sundry Debtors:

The prior year figures of Revenue for Interest Earned on External Investments and Other Debtors have been restated to correctly disclose Interest Earned by the municipality, previously accrued for in error.

### The effect of the Correction of Error is as follows:

	External Interest Earned	Other Debtors
Revenue as per AFS previously published for 2009/10	9,885,446	9,439,785
Reclassification of External Interest Earned	(5,622,864)	(5,622,864)
Revenue as per AFS currently disclosed for 2009/10	4,262,583	3,816,921

#### 40.2 Reclassification of Impairment Losses, Property, Plant & Equipment, Creditors and Accumulated Surplus:

The opening balances of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly record and classify Land owned by the municipality as at 30 June 2009, not previously recognised.

The opening balances of Creditors and Accumulated Surplus have been restated to correctly classify the nature of Creditors of the municipality as at 30 June 2009, eliminating amounts previously incorrectly raised as creditors.

The prior year figures of Expenditure for Impairment Losses and Property, Plant & Equipment have been restated to correctly disclose Assets held by the municipality that could not be verified.



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY	
2010 R	2011 R

GROUP	
2011 R	2010 R

The effect of the Correction of Error is as follows:

	Impairment Losses	Property, Plant & Equip	Creditors	Accumulated Surplus
Balances previously published per AFS as at 30 June 2009		903,748,892	(130,471,826)	(682,124,123)
Reclassify PPE to reflect the actual Land owned		5,874,000	-	(5,874,000)
Reclassify Creditors to reflect the actual Creditors		-	4,560,151	(4,560,151)
Balances now published per AFS as at 30 June 2009		909,622,892	(125,911,675)	(692,558,274)
Expenditure as per AFS previously published for 2009/10	18,177,847			
Transactions incurred for the Year 2009/10		337,007,255	2,958,779	(174,273,576)
Transactions incurred for the Year	6,767,631	(6,767,631)	-	-
Balances now published per AFS as at 30 June 2010	24,945,478	1,239,862,516	(122,952,896)	(866,831,850)

#### 41. CHANGE IN ACCOUNTING ESTIMATES

##### Municipality / Group:

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

##### 41.1 Depreciation Expenditure:

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2010. Adjustments to the residual values and usefull lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(3,928,662)	-
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>(3,928,662)</b>	<b>-</b>
Depreciation as previously stated	53,287,010	44,826,347
Adjustment due to Change in Accounting Estimate	(3,928,662)	-
<b>Depreciation as per Note 31</b>	<b>49,358,347</b>	<b>44,826,347</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
<b>42. CASH GENERATED BY OPERATIONS</b>			
174,273,576	102,644,337	102,919,312	178,804,290
44,718,176	49,153,751	49,358,347	44,826,347
7,105,744	-	-	7,105,744
28,574	(824,851)	(823,674)	32,040
378,606	53,505	53,505	378,606
-	7,025,813	7,025,813	(378,920)
-	-	-	(49,446)
1,604,539	1,339,696	1,339,696	1,604,539
(690,754)	(632,004)	(632,004)	(690,754)
198,430	47,691	162,480	198,430
1,995,837	3,387,240	3,387,240	1,995,837
(825,198)	(890,890)	(890,890)	(825,198)
17,839,734	27,900,418	28,275,005	17,839,734
177,245	-	-	177,245
(2,110,598)	-	-	(2,110,598)
(42,737,119)	(23,232,774)	(23,343,521)	(42,872,024)
9,300,073	20,977,578	20,977,766	9,304,273
<b>211,256,864</b>	<b>186,949,510</b>	<b>187,809,075</b>	<b>215,340,144</b>
340,628	(444,982)	329,263	340,628
(378,606)	(53,505)	(53,505)	(378,606)
(14,682,858)	(21,771,216)	(21,771,216)	(14,682,858)
33,281,598	(4,998,192)	(3,601,877)	31,009,371
40,482,547	(11,956,213)	(11,910,541)	40,373,583
291,034	501,230	501,230	291,034
(2,958,779)	26,353,314	23,459,334	(2,026,233)
(111,829,097)	(49,958,276)	(49,958,276)	(111,829,097)
(21,472)	(3,954)	22,093	(19,569)
<b>155,781,860</b>	<b>124,617,717</b>	<b>124,825,580</b>	<b>158,418,397</b>
<b>43. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>			
During the 2010/11 financial year, the municipality acquired R0 (2009/10: R6 314 375) of vehicles under finance leases. These lease agreements have been capitalised and the acquisitions will be reflected in the Cash Flow Statement over the term of the finance leases via lease repayments.			





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010 R	2011 R		2011 R	2010 R
<b>44. FINANCING FACILITIES</b>				
Unsecured Credit Card Facility, reviewed annually and payable monthly:				
-	-	- Amount used	-	-
80,000	80,000	- Amount unused	80,000	80,000
<u>80,000</u>	<u>80,000</u>		<u>80,000</u>	<u>80,000</u>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:				
159,842	-	- Amount used	-	159,842
1,340,158	1,500,000	- Amount unused	1,500,000	1,340,158
<u>1,500,000</u>	<u>1,500,000</u>		<u>1,500,000</u>	<u>1,500,000</u>
Unsecured DBSA Loan Facility with maturity date to be determined upon final disbursement:				
53,778,982	62,000,000	- Amount used	62,000,000	53,778,982
8,221,018	-	- Amount unused	-	8,221,018
<u>62,000,000</u>	<u>62,000,000</u>		<u>62,000,000</u>	<u>62,000,000</u>
Secured Bank Loan Facilities with various maturity dates through to 2011 and which may be extended by mutual agreement:				
19,700,000	4,430,381	- Amount used	4,430,381	19,700,000
400,000	-	- Amount unused	-	400,000
<u>20,100,000</u>	<u>4,430,381</u>		<u>4,430,381</u>	<u>20,100,000</u>
<b>45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
255,559,040	228,594,874	Long-term Liabilities (See Note 3)	228,594,874	255,559,040
(183,559,040)	(228,591,315)	Used to finance Property, Plant and Equipment - at cost	(228,591,315)	(183,559,040)
<u>72,000,000</u>	<u>3,559</u>	Sub-total	<u>3,559</u>	<u>72,000,000</u>
17,838,885	-	Cash set aside for the Repayment of Long-term Liabilities (See Notes 3, 14 and 21)	-	17,838,885
<u>89,838,885</u>	<u>3,559</u>	<b>Cash invested for Repayment of Long-term Liabilities</b>	<u>3,559</u>	<u>89,838,885</u>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that Long-term Liabilities can be repaid on redemption date.				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
<b>46.1 Unauthorised Expenditure</b>			
Reconciliation of Unauthorised Expenditure:			
-	10,708,144	10,870,353	-
159,260,722	45,917,980	46,172,651	159,422,931
(148,552,577)	-	(262,209)	(148,552,577)
<b>10,708,144</b>	<b>56,626,125</b>	<b>56,780,796</b>	<b>10,870,353</b>
Unauthorised Expenditure awaiting authorisation			

Incident	Disciplinary Steps / Criminal Proceedings
Municipality:	
Budgeted amounts exceeded:-	To be condoned by Executive Committee
- Employee Related Costs - R164 895 (2010: R0)	
- Remuneration of Councillors - R0 (2010: R1 788 066)	
- Depreciation and Amortisation - R3 181 928 (2010: R0)	
- Impairment Losses - R20 520 418 (2010: R21 645 478)	
- Repairs and Maintenance - R0 (2010: R1 814 717)	
- Finance Costs - R5 580 956 (2010: R0)	
- Bulk Purchases - R0 (2010: R4 134 581)	
- Grants and Subsidies Paid - R16 365 577 (2010: R125 908 792)	To be condoned by Executive Committee
General Expenses include an amount of R113 206 (2010: R3 940 513) paid in respect of hosting the Algerian Football Association	
Entity:	
Expenditure in excess of Budget - R154 671 (2010: R162 209)	To be condoned by Board
Umuziwabantu Show - R100 000 (2010: R0)	Condoned by Board

		46.2 Fruitless and Wasteful Expenditure			
Reconciliation of Fruitless and Wasteful expenditure:					
-	8,708	Opening balance	18,160		-
8,708	138,297	Fruitless and Wasteful Expenditure current year	138,297		18,160
-	-	Condoned or written off by Council / Board	(9,452)		-
8,708	147,005	Fruitless and Wasteful Expenditure awaiting condonement	147,005		18,160

Incident	Disciplinary Steps / Criminal Proceedings
Municipality:	
Interest on late payment - Creditors and SARS	A report will be adopted by the Executive Committee, condoning the "Fruitless and Wasteful Expenditure".
Entity:	
Interest on late payment to SARS - R0 (2010: R3 884)	Condoned by Board
Event cancellation fee - R0 (2010: R5 568)	Condoned by Board



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY			GROUP	
2010	2011		2011	2010
R	R		R	R
46.3 Irregular Expenditure				
Reconciliation of Irregular Expenditure:				
13,482,227	24,030,357	Opening balance	24,067,175	13,482,227
37,851,581	21,474,801	Irregular Expenditure current year	21,646,206	37,888,399
(27,303,451)	(24,030,357)	Condoned or written off by Council / Board	(24,067,175)	(27,303,451)
24,030,357	21,474,801	Irregular Expenditure awaiting condonement	21,646,206	24,067,175

Incident	Disciplinary Steps / Criminal Proceedings
Municipality:	
Budgeted amounts exceeded:-	None.
Payments of R0 (2010: R14 649 460) to successful bidders in respect of capital works, in the absence of receipt of their audited financial statements, as required by paragraph 23 of the Supply Chain Management Policy. This non-compliance has not compromised any of the bid processes; which processes have been fair, equitable and transparent.	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".
Expenditure of R4 014 570 (2010: R1 464 243) contrary to the provisions of paragraph 44 of the Municipal Supply Chain Management Regulations as described in Note 47.8	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".
Irregular expenditure also includes R 17,5 (2010: R 21,2) million for expenditure incurred contrary to Supply Chain Management processes as described in Note 47.7	
Entity:	
Payments to providers without tax clearance certificate - R0 (2010: R 36 818)	Condoned by Board
Payments to entity whose member is in service of the State - R21 000 (2010: R0)	To be condoned by Board
Payments to entity whose director is listed on National Treasury's Restricted Service Providers Database - R61 229 (2010: R0)	To be condoned by Board
Payments to entity without obtaining 3 quotations - R89 176 (2010: R0)	To be condoned by Board

<b>47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>47.1 Contributions to organised local government - SALGA</b>				
-	-	Opening Balance	-	-
837,288	1,297,858	Council Subscriptions	1,297,858	837,288
(837,288)	(1,297,858)	Amount Paid - current year	(1,297,858)	(837,288)
-	-	Amount Paid - previous years	-	-
<b>-</b>	<b>-</b>	<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>
<b>47.2 Audit Fees</b>				
18,390	8,520	Opening Balance	8,520	18,390
1,920,669	2,170,682	Current year Audit Fee	2,470,087	1,920,669
(1,912,149)	(2,103,842)	Amount Paid - current year	(2,403,247)	(1,912,149)
(18,390)	(8,520)	Amount Paid - previous years	(8,520)	(18,390)
<b>8,520</b>	<b>66,840</b>	<b>Balance Unpaid (included in Creditors)</b>	<b>66,840</b>	<b>8,520</b>

The balance unpaid represents the audit fee for planning the audit for the 2010/2011 financial year and is payable by 31 July 2011.



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
<b>47.3 VAT</b>			
VAT inputs receivables and VAT outputs payables are shown in Note 20. All VAT returns have been submitted by the due date throughout the year.			
<b>47.4 PAYE and UIF</b>			
-	(0)	(0)	-
29,611,469	34,350,686	34,385,219	29,611,469
(29,611,469)	(31,768,835)	(31,803,368)	(29,611,469)
-	-	-	-
<b>(0)</b>	<b>2,581,851</b>	<b>2,581,851</b>	<b>(0)</b>
<b>Balance Unpaid (included in Creditors)</b>			
The balance represents PAYE, UIF, and SDL deducted from employees and councillors in the June 2011 payroll. These amounts were paid during July 2011.			
<b>47.5 Pension and Medical Aid Deductions</b>			
-	-	-	-
34,316,330	39,840,974	40,062,116	34,316,330
(34,316,330)	(36,407,690)	(36,628,832)	(34,316,330)
-	-	-	-
<b>-</b>	<b>3,433,284</b>	<b>3,433,284</b>	<b>-</b>
<b>Balance Unpaid (included in Creditors)</b>			
The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2011.			
<b>47.6 Councillor's arrear Consumer Accounts</b>			
<b>Municipality / Group:</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2011</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Khawula SA	5,944	2,128	3,816
Madlala NA	360	56	304
Manyoni MA	647	84	563
Mhlongo ZA	184	87	97
Myende L	1,854	56	1,798
Njoko HD	2,106	1,324	782
<b>Total Councillor Arrear Consumer Accounts</b>	<b>11,095</b>	<b>3,735</b>	<b>7,360</b>
<b>30 June 2010</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Dzingwa TN	13,720	1,092	12,628
Mavundla IM	429	78	351
Njongo SO	5,990	1,243	4,747
Vezi TE	6,281	1,442	4,839
<b>Total Councillor Arrear Consumer Accounts</b>	<b>26,420</b>	<b>3,855</b>	<b>22,565</b>





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:			
<b>30 June 2011</b>		<b>Highest amount outstanding</b>	<b>Ageing</b>
Khawula SA		3,816	> 90 Days
Madlala NA		304	> 90 Days
Manyoni MA		563	> 90 Days
Mhlongo ZA		97	> 90 Days
Myende L		1,798	> 90 Days
Njoko HD		782	> 90 Days
<b>30 June 2010</b>		<b>Highest amount outstanding</b>	<b>Ageing</b>
Dzingwa TN		12,628	> 90 Days
Mavundla IM		351	> 90 Days
Njongo SO		4,747	> 90 Days
Vezi TE		4,839	> 90 Days
<b>47.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>			
No known matters existed at reporting date.			
<b>47.8 Deviation from, and ratification of minor breaches of, the Procurement Processes</b>			
<b>Municipality / Group:</b>			
In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.			
Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.			

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager's Office - ERP Section	July 2010	Cene Business Solutions	Implementers of the Faultman System	12,000.00 Excluding VAT
Development and implementation of the SMS facility for Faultman Call Centre System Including VAT				
Municipal Manager's Office - ERP Section	July 2010	Dynatech Information Systems	Installers of the operating system	48,860.00 Excluding VAT
Revenue Management System operating and server migration				
Municipal Manager's Office - ERP Section	July 2010	Seethal Attorneys	Information regarding previous prejudice against municipality	25,079.00 Excluding VAT
Amend a contract presented for signature by City Works in respect of the implementation of the ERP billing system				
Municipal Manager's Office - Special Programmes	July 2010	St Michaels Sands Hotel	Only available conference centre at the time	10,350.00 Excluding VAT
Venue for Take a Child to Work Project				
Corporate Services - EAP Section	July 2010	Dr Fred Babumba-Lukwago	Continuation of consultation process	8,000.00 Excluding VAT
Specialist orthopaedic practitioner for consultation assessment and medical reports on EAP clients				
Corporate Services - EAP Section	July 2010	Dr MA Desai	Continuation of consultation process	8,771.93 Excluding VAT
Consultation and assessment of EAP clients				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R 2011 R

GROUP  
2011 R 2010 R

Department	Date	Successful Tenderer	Reason	Amount
Corporate Services - EAP Section	July 2010	Dr Ayoob Moosa Bux	Continuation of consultation process	6,000.00 Excluding VAT
Assessment and further management of EAP clients				
Corporate Services - Registry Section	July 2010	Container Conversions and Repair	Only service provider meeting the requirements	28,740.00
Park homes, divided into two in order to accommodate 2 interns and consultants, cleaners and outside cleaning staff				
Water Services - Project Management Unit	July 2010	Amathubi Construction Services	Urgent need for water in rural schools	140,000.00 Excluding VAT
Rural water connections to schools within the Ugu district				
Municipal Manager's Office - Legal Section	August 2010	Xolile Ntshulana	Capable & extensive knowledge of criminal and civil law	11,400.00 Excluding VAT
Attend receipt of instructions, perusal and analysing forensic report				
Municipal Manager's Office - Mayoralty & Communications	August 2010	Touch Africa	3 Year contract between municipality and company	320,000.00 Excluding VAT
Co-ordination and management fees for the annual Ugu Jazz Festival 2010				
Municipal Manager's Office - Shared Services	August 2010	Hibiscus Coast Municipality	IDP Support Grant	51,666.00 Excluding VAT
This grant was transferred to Ugu District Municipality to be shared by all the Ugu family of municipalities				
Municipal Manager's Office - Shared Services	August 2010	Hibiscus Coast Municipality	IDP Support Grant	100,000.00 Excluding VAT
This grant was transferred to Ugu District Municipality to be shared by all the Ugu family of municipalities				
Municipal Manager's Office - Special Programmes	August 2010	Sfiso Ncwane	Preferred professional singer	20,000.00 Excluding VAT
Performing on the Women's Day celebration				
Municipal Manager's Office - Youth Development Section	August 2010	Legacy and Future Events & Exhibition Management	Recommended supplier for this job	4,000.00 Excluding VAT
Recording the whole event during the Winter Games				
Corporate Services - IT Section	August 2010	Alprene Plastic Products (Pty) Ltd	Slow internet was hampering official work	6,944.31 Excluding VAT
Urgent upgrade of internet access				
Corporate Services - IT Section	August 2010	ePages.net	Hosting municipality's website	13,466.70 Excluding VAT
Outstanding invoices for the service of hosting the municipality's website, FTP				
Corporate Services - IT Section	August 2010	Jireth Technologies	Previously installed entire wireless network	64,914.00 Excluding VAT
Installation of wireless link from Park Rynie and Connor Street				
Corporate Services - Registry Section	August 2010	Nashua Communications	Installers of operating system	97,022.44 Excluding VAT
Voice cabling and data cabling for Marburg and Park Rynie offices				
Corporate Services - Registry Section	August 2010	Nashua Communications	Installers of operating system	132,374.88 Excluding VAT
Voice cabling and data cabling for Marburg and Park Rynie offices				
Corporate Services - Registry Section	August 2010	RNF Contractors	Emergency repair of burst water pipes	36,715.00 Excluding VAT
Plumbing service for Oslo Beach, extension of order number Spu027316				
Corporate Services - Registry Section	August 2010	RNF Contractors	A tender process is in progress	38,501.80 Excluding VAT
August handy man, general maintenance work done				
IED Department	August 2010	Lake Eland	Provided a free venue; charged for lunch only	4,800.00 Excluding VAT
Business management for Sizuzimpilo Agriculture co-operative				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R 2011 R

GROUP  
2011 R 2010 R

Department	Date	Successful Tenderer	Reason	Amount
Water Services Authority	August 2010	DM Contractors	Emergency work	170,000.00 Excluding VAT
Alterations to be carried at the dumping site to avoid spillage of raw effluent on top of the road				
Water Services	August 2010	Sal Kuhlase Civils CC	Additional work	93,677.20 Excluding VAT
Additional fees on Spu023560, as the job is not finished yet				
Water Services - Administration	August 2010	PLN Logistics	Extension of contract while new supplier being appointed	90,092.70 Excluding VAT
Emergency water supply				
Water Services - Bhobhoyi Plant	August 2010	Drain Experts	Emergency work	200,000.00 Excluding VAT
Urgent repairs to a failing sewer system at Bhobhoyi/Mkholombe				
Water Services - Melville Water Works	August 2010	Teri's Engineering CC	Additional work	200,000.00 Excluding VAT
Supply and install walkway 16m, safety hand rail pipe all around, remove existing cat ladder and complete structure to be galvanised				
Water Services - Mkholombe Plant	August 2010	RNF contractors	Emergency work	200,000.00 Excluding VAT
Urgent repairs to a failing sewer system at Bhobhoyi/Mkholombe				
Water Services - Sanitation Section	August 2010	Anthony's Welding Works	Advised to use contractor on site to carry out the repairs	3,895.00 Excluding VAT
Clarifier has lost it's siphon, pipe is leaking, has to fit 3 new cj couplings				
Water Services - Sanitation Section	August 2010	Anthony's Welding Works	Advised to use contractor on site to carry out the repairs	16,661.10 Excluding VAT
Clarifier has lost it's siphon, pipe is leaking, has to fit 3 new cj couplings				
Municipal Manager's Office - ERP Section	September 2010	Dynatech Information Systems (Pty) Ltd	Installed the operating system in all RMS servers	5,985.00 Excluding VAT
Transfer backup file from Linux server to Windows backup server				
Municipal Manager's Office - ERP Section	September 2010	Payday Software Systems	Sole Service Provider	16,691.88 Excluding VAT
ESS module consultation hours, travelling and accommodation for the consultant				
Municipal Manager's Office - Legal Section	September 2010	Aequitas Legal and Business Solutions	Vast experience in local government legislation	19,250.00 Excluding VAT
Draft a MOU to be entered into between Ugu and Local Municipalities				
Municipal Manager's Office - Legal Section	September 2010	Seethal Attorneys	Representing the municipality in the BTG matter	35,000.00 Excluding VAT
Private firm to draft an addendum for complementation of an ERP billing solution				
Municipal Manager's Office - Legal Section	September 2010	Shepstone & Wylie Attorneys	Commercial law department with proven expertise	10,000.00 Excluding VAT
Peruse and comment on draft software maintenance agreement				
Municipal Manager's Office - Mayoralty & Communications	September 2010	Jays Studio	Only company locally that can print such an album	4,000.00 Excluding VAT
Printing of photo album for Ugu Winter Games				
Municipal Manager's Office - Special Programmes	September 2010	Eagles Nest	Preferred accommodation	19,500.00 Excluding VAT
Men's workshop (HIV & AIDS) taking place at Eagles Nest (around Margate)				
Municipal Manager's Office - Special Programmes	September 2010	Sakha Ikhaya	Requested to assist with the motivational speaker	2,500.00 Excluding VAT
Motivational speaker at Women's Day celebrations				





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R      2011 R

GROUP  
2011 R      2010 R

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager's Office - Youth Development Section	September 2010	Lucky's Sports	Preferred supplier	6,903.00 Excluding VAT
Sports equipment				
Municipal Manager's Office - Youth Development Section	September 2010	Margate Pro Shop	Preferred supplier	3,000.00 Excluding VAT
Supply golfing equipment				
Municipal Manager's Office - Youth Development Section	September 2010	Umqhele B&B	Available accommodation	40,000.00 Excluding VAT
Accommodation of Mayor, Body guards and Councillors for the Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	September 2010	Zamandla Business Enterprise	Preferred supplier	4,788.00 Excluding VAT
VIP braai on the 08.08.2010 during Winter Games				
Corporate Services - IT Section	September 2010	Marburg Haven	Only available accommodation	7,020.00 Excluding VAT
LED Forum				
Corporate Services - Registry Section	September 2010	BFBA Consultants	Specific request of service provider	92,625.00 Excluding VAT
Consultant access control and time attendance tender specifications				
Corporate Services - Registry Section	September 2010	Full Swing Trading 982 CC	Additional work	4,565.00 Excluding VAT
Board room chairs need handles to be replaced				
IED Department	September 2010	Top View Productions	Extension of purchase order Spu026006	5,500.00 Excluding VAT
Aerial photograph and internal photographs of the sports stadium				
Water Services	September 2010	Associated Pumping Services CC	Strip and Repair quote	9,800.00 Excluding VAT
Strip and repair request of Submersible Pump				
Water Services - Workshop Section	September 2010	Anthony's Welding Works	Emergency work	16,729.00 Excluding VAT
16" Spool piece flange both ends				
Water Services - Workshop Section	September 2010	Bulk Diesel	Only suppliers of bulk diesel in the South Coast Area	36,700.00 Excluding VAT
5000 Litres of diesel				
Municipal Manager's Office	October 2010	M E Ngcobo	Urgent	1,378.60 Excluding VAT
Expenses for boxing officials attending meeting (site inspection) in coastland hotel for Kwanaloga Games				
Municipal Manager's Office - ERP Section	October 2010	Cene Business Solutions	Sole suppliers	64,410.00 Excluding VAT
Faultman training, travel, testing, street and data conversion				
Municipal Manager's Office - ERP Section	October 2010	Connection 42	Sole suppliers	82,613.00 Excluding VAT
Consultant's car hire, accommodation, R700 daily allowance				
Municipal Manager's Office - ERP Section	October 2010	Consolidated African Technologies	Sole suppliers of Radix machines	2,052.00 Excluding VAT
Consultant's travel and miscellaneous experts for meter reading workshop				
Municipal Manager's Office - ERP Section	October 2010	DST Global Solutions	Implemented and support the system	5,700.00 Excluding VAT
Custima DB backup automation to disk, move files to Windows Server				
Municipal Manager's Office - ERP Section	October 2010	Dynatech Information Systems (Pty) Ltd	SCO Unix expertise and assisting on ad hoc basis for a while	123,120.00 Excluding VAT
Custima support and consulting				





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R 2011 R

GROUP  
2011 R 2010 R

Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager's Office - Legal Section	October 2010	Paul Preston Attorneys	Originally appointed to advise on the matter	42,697.28 Excluding VAT
Represent Ugu Municipality in an arbitration matter in respect of ex employee				
Municipal Manager's Office - Legal Section	October 2010	Rhugbeer and Associates Attorneys	Matter of pure legal interpretation	219,446.00 Excluding VAT
Engage the services of a private legal practitioner to provide an interpretation of the legislation				
Municipal Manager's Office - Legal Section	October 2010	Spectrum Valuation Services	Conducted many valuations on behalf of the municipality	13,030.20 Excluding VAT
Conducting the valuation of land belonging to the municipality				
Municipal Manager's Office - Mayoralty & Communications	October 2010	Shobana's Construction	Additional work	60,994.56 Excluding VAT
Water proof and seal roof over Mayor's area and Municipal Manager's offices				
Municipal Manager's Office - Youth Development Section	October 2010	John Paul 11 Children Centre	Preferred venue	4,780.00 Excluding VAT
Ladies table tennis for Kwanaloga Games 2010 on the 9th and 10th of October, provided lunch and facility				
Municipal Manager's Office - Youth Development Section	October 2010	John Paul 11 Children Centre	Preferred venue	7,030.00 Excluding VAT
Lunch packs for Kwanaloga training on the 16 -17 October 2010				
Municipal Manager's Office - Youth Development Section	October 2010	Lucky's Sports	Kits only available at Lucky's	41,043.42 Excluding VAT
Sports kit, volley and soccer podium				
Municipal Manager's Office - Youth Development Section	October 2010	Margate Pro Shop	Preferred supplier	3,100.00 Excluding VAT
Supply golfing equipment				
Municipal Manager's Office - Youth Development Section	October 2010	Margate Sport School	Preferred venue	8,607.00 Excluding VAT
Training facility and catering for Ugu athletes team for Kwanaloga Games 2010				
Municipal Manager's Office - Youth Development Section	October 2010	Mathutha Investment	Donation	7,000.00 Excluding VAT
Transporting members of the choir from Gamalakhe to Pietermaritzburg				
Municipal Manager's Office - Youth Development Section	October 2010	Port Shepstone Senior Primary	Preferred training centre	8,314.00 Excluding VAT
Provision of a hall for the dance on the 16 -17 October and lunch for with juice for 26 delegates				
Municipal Manager's Office - Youth Development Section	October 2010	Port Shepstone Senior Primary	Preferred training centre	9,190.00 Excluding VAT
Catering and training facility for players preparing for Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	October 2010	Sagewise	Preferred supplier	4,389.00 Excluding VAT
Providing lunch during training session on the 17 October 2010 for Kwanaloga Games preparations				
Municipal Manager's Office - Youth Development Section	October 2010	Sagewise	Preferred training centre	21,215.40 Excluding VAT
Providing a facility for training and catering for the players which is dance and rugby females				
Municipal Manager's Office - Youth Development Section	October 2010	Sagewise	Preferred supplier	25,764.00 Excluding VAT
Catering and accommodation for players in preparation for Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	October 2010	Sagewise	Preferred venue	34,726.68 Excluding VAT
Catering and training facility for players preparing for Kwanaloga Games on 15 -17 October 2010				
Corporate Services	October 2010	South African Post Office	Only place that does bulk mail	10,000.00 Excluding VAT
Postage for all Ugu departments				
Corporate Services - Skills Development	October 2010	Willie Bloem and Associates	Recommended supplier for training	6,300.00 Excluding VAT
Travelling costs for Willie Bloem				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R      2011 R

GROUP  
2011 R      2010 R

Department	Date	Successful Tenderer	Reason	Amount
Corporate Services - Skills Development	October 2010	Willie Bloem and Associates	Recommended supplier for training	22,500.00 Excluding VAT
Disciplinary Hearing training and traveling expenses				
Corporate Services - Registry Section	October 2010	Ikhayelihle Cleaning Service	A tender process is in progress	265,320.93 Excluding VAT
Contract has expired, rendering services on a month to month basis				
Corporate Services - Registry Section	October 2010	Othi Mngathi Cleaning CC	A tender process is in progress	30,000.00 Excluding VAT
Ugu Fresh Produce Market cleaning service extension of Spu026611 by three months				
IED Department	October 2010	Ritdec CC	Owners of the tea tree nursery	17,578.09 Excluding VAT
Operational costs at Ezinqoleni for the tea tree project ( electricity being used)				
Treasury Department	October 2010	Umdlalo Lodge	Only available accommodation	2,677.00 Excluding VAT
Provision of accommodation for consultants on asset register compilation				
Treasury Department	October 2010	Umdlalo Lodge	Only available accommodation	3,656.01 Excluding VAT
Provision of accommodation for consultants on asset register compilation				
Water Services	October 2010	Absco Contractors	Work not finished and contract was extended	219,446.01 Excluding VAT
Extension of contract Ugu-02-953-2009 for the manufacturing and supply of VIP toilets at Umzumbe				
Water Services	October 2010	Oribi Paving	Work not finished and contract was extended	219,446.01 Excluding VAT
Manufacturing & supply of 450 VIP toilets and associated fittings				
Water Services	October 2010	Ubomi Cooperative Contractors	Work not finished and contract was extended	219,446.01 Excluding VAT
Manufacturing and supply of 400 vip toilets in Vulamehlo				
Water Services	October 2010	Rothenberger Tools SA	Sole providers of drain inspection camera	55,000.00 Excluding VAT
Room pushrod camera with a self-levelling head				
Water Services	October 2010	PSI Pumps and Mixers	Strip and Repair quote	6,904.00 Excluding VAT
Strip and repair request				
Water Services - Administration	October 2010	Amanzi Ngawethu Contracting CC	Extension of contract while new supplier being appointed	139,369.76 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Amaphiko Ejuba	Extension of contract while new supplier being appointed	29,383.45 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Crossmor Transport	Extension of contract while new supplier being appointed	74,310.84 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Debbie's Hardware	Extension of contract while new supplier being appointed	239,859.01 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Eagle Ukhozi Transport	Extension of contract while new supplier being appointed	254,329.04 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Magma Trading	Extension of contract while new supplier being appointed	238,425.36 Excluding VAT
Emergency water supply				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R 2011 R

GROUP  
2011 R 2010 R

Department	Date	Successful Tenderer	Reason	Amount
Water Services - Administration	October 2010	Masakhane Tankers	Extension of contract while new supplier being appointed	233,927.08 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Simuma Transport	Extension of contract while new supplier being appointed	347,670.42 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	SS Maintenance	Emergency water to Ezingoleni and Umzumbi South	1,046,389.36 Excluding VAT
Emergency water supply				
Water Services - Administration	October 2010	Wasteng (Pty) Ltd	Extension of contract while new supplier being appointed	198,335.80 Excluding VAT
Emergency water supply				
Municipal Manager's Office - Legal Section	November 2010	Aequitas Legal & Business Solutions	Experts in the field of commercial law	20,000.00 Excluding VAT
Draft of a lease agreement for hire of facilities at Ugu Sports Complex				
Municipal Manager's Office - Legal Section	November 2010	Lexis Nexis	Books available at Lexis Nexis only	8,410.71 Excluding VAT
Supply of Constitution of RSA, Structures Act, Systems Act and MFMA				
Municipal Manager's Office - Youth Development Section	November 2010	John Paul 11 Children Centre	Preferred venue	2,380.00 Excluding VAT
Providing training facility and catering in preparation of the tournament for the tennis players in December 2010				
Municipal Manager's Office - Youth Development Section	November 2010	Lucky's Sports	Lucky's provided required sample	187,005.00 Excluding VAT
411 Track suits be done for players during Kwanaloga Games and 411 3/4 pants and t-shirts for the games				
Municipal Manager's Office - Youth Development Section	November 2010	Port Shepstone Primary School	Preferred supplier	3,630.00 Excluding VAT
Providing catering during training camp				
Municipal Manager's Office - Youth Development Section	November 2010	Port Shepstone Primary School	Preferred supplier	4,800.00 Excluding VAT
Providing catering during training camp				
Municipal Manager's Office - Youth Development Section	November 2010	Port Shepstone Primary School	Preferred supplier	10,340.00 Excluding VAT
Providing catering during training camp for 26 dance team members and 18 female rugby players				
Municipal Manager's Office - Youth Development Section	November 2010	Sagewise	Preferred supplier	2,640.00 Excluding VAT
Training and catering for boxing players during the Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	November 2010	Sagewise	Preferred supplier	8,640.00 Excluding VAT
Provision of catering, accommodation and training for players during Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	November 2010	South Coast Academy	Preferred supplier	2,200.00 Excluding VAT
Catering for male rugby players during the Kwanaloga Games				
Municipal Manager's Office - Youth Development Section	November 2010	South Coast Academy	Preferred supplier	7,150.00 Excluding VAT
Catering in preparation of the tournament				
Corporate Services - IT Section	November 2010	Key Computers	Very urgent work to be done	6,565.80 Excluding VAT
Repair network points				
Corporate Services - IT Section	November 2010	Key Computers	Preferred supplier	143,897.36 Excluding VAT
Purchase laptops for new employees in Water Services				





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY  
2010 R 2011 R

GROUP  
2011 R 2010 R

Department	Date	Successful Tenderer	Reason	Amount
Corporate Services - Registry Section	November 2010	RNF Contractors	Contract expired; still busy with the tender process	50,611.78 Excluding VAT
Extension of a contract on a month to month basis				
IED Department	November 2010	MGM Holdings	Additional work	17,624.40 Excluding VAT
Professional services rendered towards the application of the rezoning at Creston College				
Water Services - Administration	November 2010	Magma Trading	Extension of contract while new supplier being appointed	66,184.02 Excluding VAT
Emergency water supply				
Water Services - Manager Control Centre	November 2010	Galoshe Trading	Will take longer if they get someone else to do the job	8,500.00 Excluding VAT
Galoshe contracted to erect fence at Margate WWTW, but there were large trees which were identified as an obstruction to the works				
Water Services - Area North	November 2010	LNy Construction	Very urgent work to be done	31,030.80 Excluding VAT
Repair of a pipe at Umthwalume bridge				
Water Services - GIS Section	November 2010	Regma	Sole suppliers	13,592.22 Excluding VAT
Plotter machine repairs				
Water Services - Project Management Unit	November 2010	Sanyathi Construction	Shortening Bid Process	3,405,097.01 Excluding VAT
Pump station buildings and associated works at Uvongo - Contract: Ugu-02-975-2009 ( Additional)				
Municipal Manager's Office - Legal Section	December 2010	Paul Preston Attorneys	This firm drafted the municipal by-laws	7,069.00 Excluding VAT
To engage services of a private firm to the municipality in various by law enforcement matters				
Municipal Manager's Office - Legal Section	December 2010	Sandile Dlomo Inc	Firm's experience with Local Government	70,000.00 Excluding VAT
To engage services of a private legal practitioner to assist with the drafting of sponsorship policy for the municipality				
Municipal Manager's Office - Mayoralty & Communications	December 2010	SHK Constructions	Only company that can supply the services required	55,005.00 Excluding VAT
Supplied with services during Kwanaloga Games in Richards Bay (Tents, Security Guards)				
Municipal Manager's Office - Youth Development Section	December 2010	Port Shepstone Primary School	Preferred venue	11,770.00 Excluding VAT
Provide facility for catering and training for the players which is dance, rugby females, ladies soccer and volley ball				
Municipal Manager's Office - Youth Development Section	December 2010	Lucky's Sports	Material available at Lucky's Sports	18,897.00 Excluding VAT
Lucky's Sports have provided us with the training equipment to be used by our district teams during Kwanaloga Games				
Corporate Services - Human Resources Section	December 2010	M A Makinyane & Associates	Preferred supplier	35,750.00 Excluding VAT
Payment to Makinyane for Mbonane's hearing				
Corporate Services - Registry Section	December 2010	Car Plates and Signs	Order extended while waiting for the suppliers to quote	20,249.82 Excluding VAT
Extension of order no Spu026244 for locksmith services rendered				
Corporate Services - Registry Section	December 2010	Mzimkhulu Electrical CC	Tender now depleted; a tender process is in progress	44,621.35 Excluding VAT
Electrical maintenance				
IED Department	December 2010	MGM Holdings	Additional work	88,802.00 Excluding VAT
Disbursements that were never claimed during the roll of emerging contractors development programme				





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

**MUNICIPALITY**  
2010 R      2011 R

**GROUP**  
2011 R      2010 R

Department	Date	Successful Tenderer	Reason	Amount
Water Services - Administration	December 2010	Magma Trading	New tender process is going on	75,449.78 Excluding VAT
Emergency water supply and the contract has expired				
Water Services - Purification	December 2010	Labware Africa	Reimbursement	5,208.45 Excluding VAT
Reimbursement for the accommodation of Sphelele Ndaba and Phindile Mbutho				
Water Services - Purification	December 2010	Labware Africa	Services utilised nationwide for similar work required by Ugu	17,738.40 Excluding VAT
Professional services rendered on site for configuration of laboratory computers				
Water Services - Purification	December 2010	Labware Africa	Services utilised nationwide for similar work required by Ugu	26,607.60 Excluding VAT
3 Days consulting for training after going live with LIMS system				
Water Services - Purification	December 2010	Labware Africa	Services utilised nationwide for similar work required by Ugu	54,948.00 Excluding VAT
Annual software maintenance help desk support for 2010				
Municipal Manager's Office - Shared Services	January 2011	Estuary County Hotel	Only available conference facility	29,801.00 Excluding VAT
Venue for Lekgotla on the 17 - 18 January 2011				
Municipal Manager's Office - Youth Development Section	January 2011	Kapenta Bay Hotel	Sponsored one night for the event	16,283.00 Excluding VAT
Accommodation for 35 nominees during the Ugu District Youth Awards				
Municipal Manager's Office - Youth Development Section	January 2011	Loxion Records	Cheaper than the supplier which was used previously	15,300.00 Excluding VAT
Television coverage for Ugu District Youth Awards on 15 January 2011				
Corporate Services - IT Section	January 2011	CSS Tirisano	Very Urgent	40,928.85 Excluding VAT
Websense server licenses				
Corporate Services - Registry Section	January 2011	Rentokil Initial	New tender process is going on	328,664.92 Excluding VAT
Hygiene services at various offices of Ugu District Municipality				
Corporate Services - IT Section	February 2011	Ubuntu Technologies	Preferred supplier	23,453.70 Excluding VAT
Server licenses				
Municipal Manager's Office	April 2011	Cyassound	Ugu Jazz Festival	623,850.00 Excluding VAT
Paid artists for Ugu Jazz Festival				
Municipal Manager's Office	June 2011	Axnosis (Pty) Ltd	Implementation of different phases of the AX System.	4,674,169.00 Excluding VAT
Axnosis was implementing under BTG's control until main contract was determined; hence Axnosis continued implementation				



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		Furthermore, the municipality has made the following awards to persons in service of Government Institutions contrary to the provisions of paragraphs 44 and 45 of the Municipal Supply Chain Management Regulations:			GROUP	
2010 R	2011 R				2011 R	2010 R
Purchases for the Year	Purchases for the Year	Company Name	Related Person	Municipal Capacity	Purchases for the Year	Purchases for the Year
36,350	-	Plain Trading 38	NF Shusha	Councillor	-	36,350
13,000	2,300	Silangwe and Vezi Funeral Services	TE Vezi	Councillor	2,300	13,000
16,310	-	Canaan Productions t/a Lighthouse	E Enock	Employee	-	16,310
22,096	41,520	Dan's Cleaning Services	T Malishe	Employee	41,520	22,096
70,650	-	Dlambula Trading Enterprise	PS Mbele	Employee	-	70,650
1,900	-	Mpikeli Contractors	HR Zulu	Employee	-	1,900
-	33,550	Ncokwane Trading Enterprise	PP Chili	Employee	33,550	-
-	157,700	Victorson Building CC	TB Mhlongo	Employee	157,700	-
37,500	40,538	Vovolethu Function and Catering	Z Mbhele	Employee	40,538	37,500
-	7,414	Amphephethwa Trading & Farming Projects	Cynthia Zanele Nzimande	KZ: Education	7,414	-
-	45,018	Bhayi Ka Ketshe Investments CC	Sigqibo Cetywa	NAT: Correctional Services	45,018	-
-	117,306	Bigen Africa Consulting Engine	Iraj Abedian	NAT: Minerals Resources	117,306	-
-	3,600	Blueline Transport CC	Corrida Thembekile Cele	KZ: Health	3,600	-
-	12,000	Botlebembali Trading CC	Linky Thembeke Chemane	KZ: Education	12,000	-
115,800	-	Cool Sounds Trading	SP Msomi	KZN Education	-	115,800
24,564	529	DPI Ichweba	MB Ntuli	KZN Legislature	529	24,564
35,549	7,831	Emgee Agencies	S Moodley	KZN Education	7,831	35,549
-	177,952	Fahama Trading Enterprise CC	Philisiwe Innocentia Mhlanga	KZ: Sport and Recreation	177,952	-
-	3,420	Gender Links	Thenjiwe Mtintso	NAT: International Relat & Coop	3,420	-
-	37,700	Hlalunolwazi Development Enter	Bongiwe Gloria Dunywa	KZ: Education	37,700	-
-	1,044,751	Isifiso Sika Ndlovu Contracting and Trading CC	Fredrick Sifiso Ndlovu	KZ: Education	1,044,751	-
-	69,100	Isiqunga Transporst CC	Phumlani Heophilus Ccele	KZ: Health	69,100	-
-	27,421	Khalamazo Trading and Investments CC	Nosipho Zinhle Zulu	KZ: Health	27,421	-
-	5,250	Mafuthe Ngusha Trading	Thulani Comfort Ngcobo	KZ: Agri Env Aff Rural Develop	5,250	-
-	71,986	Masibusiseke Trading CC	Harriet Nana Majola	KZ: Health	71,986	-
-	205,972	Masizikhulise Construction & Other Services	Doreen Lindiwe Ndlovu	KZ: Transport	205,972	-
270,826	-	Mathutha Investments	MB Cele	KZN Transport	-	270,826
18,000	26,390	Mlethi Catering	RT Mlethi	KZN Education	26,390	18,000
7,800	10,500	Mnqobi Catering and Services	NP Ntozakhe	KZN Education	10,500	7,800
8,000	-	Mpikeli Contractors	TP Zulu	KZN Transport	-	8,000
-	30,825	Mohlaponi Trading CC	Morongoe Mohapi	KZ: Education	30,825	-
190,675	24,415	Nelimo Trading	MN Nzama	KZN Education	24,415	190,675
-	11,112	Nhlanhla and Thobani Trading CC	Bathobi Janet Chiliza	KZ: Health	11,112	-
-	791,779	Pure Magic Trading 23 CC	Sihlaniso Armstrong Duma	KZ: Provincial Legislature	791,779	-
-	55,005	SHK Construction CC	Sidoduziwe Elizabeth Mncwabe	KZ: Education	55,005	-
21,569	-	Sabinet Online	MD Ralebgi-Simela	Dept Labour	-	21,569
118,422	-	Sakhisizwe Garden Services	NA Mngadi	KZN Education	-	118,422
133,000	-	Shinga Construction	SD Mthembu	KZN Transport	-	133,000
104,850	3,665	Sibiya Ngwazi Construction Supplies	J Khomo	KZN Health	3,665	104,850
-	387,545	Sojangwe Trading CC	Nonkululeko Cibane	KZ: Health	387,545	-
-	20,000	Sthembu Buntu General Trading	Octavia Queen Cele	KZ: Education	20,000	-
-	535	Thengani Lodge CC	Bonisiwe Getrude Zungu	KZ: Education	535	-
68,699	-	Ubala Trading	R Govender	SA Police Service	-	68,699
-	34,713	Ubucubu Home Industries CC	Teresa Duduzile Mkhwanazi	KZ: Agri Env Aff Rural Develop	34,713	-
21,889	112,748	Vanmor Electrical	M Reddy	KZN Education	112,748	21,889
86,528	-	Victorson Building	NA Mngadi	KZN Education	-	86,528
-	94,750	Vuka Africa Aerial Surveys and Mapping	Lizwi Ncwane	NAT: Justice & Constitution Devel	94,750	-
-	119,339	Xabe Mjelo Trading Enterprise CC	Mandisa Mjelo	KZ: Education	119,339	-
-	80,000	Zin Zan General Suppliers CC	Eugenia Zinhle Memela	KZ: Education	80,000	-
40,267	-	Ziphephise Trading	CM Mahlawe	SA Police Service	-	40,267
-	98,392	Zongwana Projects CC	Nokonwabisa Maud Zongwana	KZ: Education	98,392	-
<b>1,464,243</b>	<b>4,014,570</b>	<b>Total Purchases</b>			<b>4,014,570</b>	<b>1,464,243</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
<b>48. COMMITMENTS FOR EXPENDITURE</b>			
<b>48.1 Capital Commitments</b>			
Commitments in respect of Capital Expenditure:			
<b>168,461,806</b>	<b>108,143,960</b>	<b>108,143,960</b>	<b>168,461,806</b>
155,700,110	105,364,318	105,364,318	155,700,110
67,447	67,447	67,447	67,447
-	-	-	-
12,694,249	2,712,195	2,712,195	12,694,249
-	-	-	-
-	-	-	-
<b>26,241,474</b>	<b>62,377,533</b>	<b>62,377,533</b>	<b>26,241,474</b>
23,549,937	32,528,749	32,528,749	23,549,937
-	-	-	-
-	-	-	-
2,691,537	29,848,784	29,848,784	2,691,537
-	-	-	-
-	-	-	-
<b>194,703,280</b>	<b>170,521,492</b>	<b>170,521,492</b>	<b>194,703,280</b>
<b>Total Capital Commitments</b>			
This expenditure will be financed from:			
49,249,143	-	-	49,249,143
-	-	-	-
100,908,625	105,142,378	105,142,378	100,908,625
-	-	-	-
-	-	-	-
44,545,512	65,379,114	65,379,114	44,545,512
<b>194,703,280</b>	<b>170,521,492</b>	<b>170,521,492</b>	<b>194,703,280</b>
<b>48.2 Lease Commitments</b>			
Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 3 and 10.			
<b>48.3 Other Commitments</b>			
<b>Entity: Commitments for Expenditure:</b>			
Within one Year		886,255	-
Thereafter		1,945,022	-
		<b>2,831,277</b>	<b>-</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP			
2010	2011			2011	2010
R	R			R	R
		<b>49. FINANCIAL INSTRUMENTS</b>			
		<b>49.1 Classification</b>			
		<b>FINANCIAL ASSETS:</b>			
		In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
		<b>Financial Assets</b>	<b>Classification</b>		
		<b>Long-term Receivables</b>			
10,496	15,155	Relocation Loans	Amortised cost	15,155	10,496
18,293	11,093	Sundry Loans	Amortised cost	11,093	18,293
		<b>Trade Receivables from Exchange Transactions</b>			
9,955,238	14,581,993	Sewerage	Amortised cost	14,581,993	9,955,238
11,241,100	10,341,690	Water	Amortised cost	10,341,690	11,241,100
21,354,635	8,710,157	Water Rate Debtors	Amortised cost	8,710,157	21,354,635
2,724,774	6,203,264	Other Trade Debtors	Amortised cost	6,203,264	2,724,774
		<b>Trade Receivables from Non-exchange Transactions</b>			
-	1,483,307	Payments made in Advance	Amortised cost	1,483,307	-
-	3,630,655	Government Subsidy Claims	Amortised cost	4,086,655	2,114,000
-	901,215	Insurance Claims	Amortised cost	901,215	-
10,470	50,979	Municipal Entities	Amortised cost	-	-
1,017,415	1,017,415	Sundry Deposits	Amortised cost	1,017,415	1,017,415
2,789,037	1,040,985	Sundry Debtors	Amortised cost	1,137,289	2,957,734
		<b>Bank,Cash and Cash Equivalents</b>			
26,546,485	10,986,355	Call Deposits	Fair value	11,622,775	28,037,571
5,488,964	5,754,880	Notice Deposits	Amortised cost	5,790,880	5,524,964
17,838,885	-	Short-term Portion of Investments	Amortised cost	-	17,838,885
102,857,239	24,963,783	Bank Balances	Fair value	26,054,902	103,672,937
5,110	4,910	Cash Floats and Advances	Fair value	8,848	22,481
		<b>Current Portion of Long-term Receivables</b>			
11,158	9,827	Relocation Loans	Amortised cost	9,827	11,158
-	3,600	Sundry Loans	Amortised cost	3,600	-
		<b>SUMMARY OF FINANCIAL ASSETS</b>			
		<b>Financial Assets at Amortised Cost:</b>			
10,496	15,155	Long-term Receivables	Relocation Loans	15,155	10,496
18,293	11,093	Long-term Receivables	Sundry Loans	11,093	18,293
9,955,238	14,581,993	Trade Receivables from Exchange Transactions	Sewerage	14,581,993	9,955,238
11,241,100	10,341,690	Trade Receivables from Exchange Transactions	Water	10,341,690	11,241,100
21,354,635	8,710,157	Trade Receivables from Exchange Transactions	Water Rate Debtors	8,710,157	21,354,635
2,724,774	6,203,264	Trade Receivables from Exchange Transactions	Other Trade Debtors	6,203,264	2,724,774





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY				GROUP	
2010 R	2011 R			2011 R	2010 R
		Financial Assets	Classification		
		SUMMARY OF FINANCIAL ASSETS: Financial Assets at Amortised Cost: (cont.)			
-	1,483,307	Trade Receivables from Non-exchange Transactions	Payments made in Advance	1,483,307	-
-	3,630,655	Trade Receivables from Non-exchange Transactions	Government Subsidy Claims	4,086,655	2,114,000
-	901,215	Trade Receivables from Non-exchange Transactions	Insurance Claims	901,215	-
10,470	50,979	Trade Receivables from Non-exchange Transactions	Municipal Entities	-	-
1,017,415	1,017,415	Trade Receivables from Non-exchange Transactions	Sundry Deposits	1,017,415	1,017,415
2,789,037	1,040,985	Trade Receivables from Non-exchange Transactions	Sundry Debtors	1,137,289	2,957,734
11,158	9,827	Current Portion of Long-term Receivables	Officials: Relocation Loans	9,827	11,158
-	3,600	Current Portion of Long-term Receivables	Sundry Loans	3,600	-
5,488,964	5,754,880	Bank,Cash and Cash Equivalents	Notice Deposits	5,790,880	5,524,964
17,838,885	-	Bank,Cash and Cash Equivalents	Short-term Portion of Investments	-	17,838,885
72,460,465	53,756,215			54,293,540	74,768,693
		Financial Assets at Fair Value:			
26,546,485	10,986,355	Bank,Cash and Cash Equivalents	Call Deposits	11,622,775	28,037,571
102,857,239	24,963,783	Bank,Cash and Cash Equivalents	Bank Balances	26,054,902	103,672,937
5,110	4,910	Bank,Cash and Cash Equivalents	Cash Floats and Advances	8,848	22,481
129,408,834	35,955,047			37,686,525	131,732,989
201,869,299	89,711,262	Total Financial Assets		91,980,065	206,501,681
		FINANCIAL LIABILITIES: In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
		Financial Liabilities	Classification		
		Long-term Liabilities			
219,097,288	214,729,133	Annuity Loans	Financial liabilities at amortised cost	214,729,133	219,097,288
2,176,914	519,948	Finance Lease Liabilities	Financial liabilities at amortised cost	519,948	2,176,914
		Consumer Deposits			
17,765,540	18,266,771	Water	Financial liabilities at amortised cost	18,266,771	17,765,540



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY						GROUP	
2010 R	2011 R					2011 R	2010 R
		<b>Financial Liabilities</b>	<b>Classification</b>				
		<b>Long-term Liabilities (cont.)</b>					
		<b>Creditors</b>					
28,528,521	61,952,793	Trade Creditors	Financial liabilities at amortised cost	59,557,712		29,132,271	
3,173,485	2,853,255	Payments received in Advance	Financial liabilities at amortised cost	2,853,255		3,192,112	
11,802,594	1,375,275	Retentions	Financial liabilities at amortised cost	1,375,275		11,802,594	
7,220,811	7,843,118	Staff Bonuses	Financial liabilities at amortised cost	7,843,118		7,220,811	
8,035,498	8,426,016	Staff Leave	Financial liabilities at amortised cost	8,645,150		8,179,581	
49,795,096	33,794,957	Projects	Financial liabilities at amortised cost	33,794,957		49,795,096	
14,396,892	33,060,796	Other Creditors	Financial liabilities at amortised cost	33,275,309		14,562,978	
		<b>Bank Overdraft</b>					
4,465	-	Bank Overdraft	Financial liabilities at amortised cost	-		4,465	
		<b>Current Portion of Long-term Liabilities</b>					
20,300,000	-	Local Registered Stock	Financial liabilities at amortised cost	-		20,300,000	
7,018,972	10,462,124	Annuity Loans	Financial liabilities at amortised cost	10,462,124		7,018,972	
6,965,865	2,400,712	Finance Lease Liabilities	Financial liabilities at amortised cost	2,400,712		6,965,865	
		<b>SUMMARY OF FINANCIAL LIABILITIES</b>					
		<b>Financial Liabilities at Amortised Cost:</b>					
219,097,288	214,729,133	Long-term Liabilities	Annuity Loans	214,729,133		219,097,288	
2,176,914	519,948	Long-term Liabilities	Finance Lease Liabilities	519,948		2,176,914	
28,528,521	61,952,793	Creditors	Trade Creditors	59,557,712		29,132,271	
11,802,594	1,375,275	Creditors	Retentions	1,375,275		11,802,594	
7,220,811	7,843,118	Creditors	Staff Bonuses	7,843,118		7,220,811	
8,035,498	8,426,016	Creditors	Staff Leave	8,645,150		8,179,581	
49,795,096	33,794,957	Creditors	Projects	33,794,957		49,795,096	
14,396,892	33,060,796	Creditors	Other Creditors	33,275,309		14,562,978	
20,300,000	-	Current Portion of Long-term Liabilities	Local Registered Stock	-		20,300,000	
7,018,972	10,462,124	Current Portion of Long-term Liabilities	Annuity Loans	10,462,124		7,018,972	
6,965,865	2,400,712	Current Portion of Long-term Liabilities	Finance Lease Liabilities	2,400,712		6,965,865	
375,338,451	374,564,871			372,603,437		376,252,369	
		<b>Financial Liabilities at Fair Value:</b>					
17,765,540	18,266,771	Consumer Deposits	Electricity and Water	18,266,771		17,765,540	
3,173,485	2,853,255	Creditors	Payments received in Advance	2,853,255		3,192,112	
4,465	-	Bank Overdraft	Bank Overdraft	-		4,465	
20,943,490	21,120,026			21,120,026		20,962,117	
396,281,941	395,684,897	<b>Total Financial Liabilities</b>		393,723,462		397,214,486	





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP			
2010 R	2011 R		2011 R		2010 R
<b>GROUP: 30 June 2011</b>					
		Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS: Financial Instruments at Fair Value:</b>					
Notice Deposits		-	5,790,880	-	5,790,880
Call Deposits		-	11,622,775	-	11,622,775
Bank Balances and Cash		-	26,063,750	-	26,063,750
<b>Total Financial Assets</b>		-	<b>43,477,405</b>	-	<b>43,477,405</b>
<b>FINANCIAL LIABILITIES: Financial Instruments at Fair Value:</b>					
Annuity Loans		-	214,729,133	-	214,729,133
Finance Lease Liabilities		-	519,948	-	519,948
Bank Overdraft		-	-	-	-
<b>Total Financial Liabilities</b>		-	<b>215,249,080</b>	-	<b>215,249,080</b>
<b>Total Financial Instruments</b>		-	<b>(171,771,675)</b>	-	<b>(171,771,675)</b>
<b>GROUP: 30 June 2010</b>					
		Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS: Financial Instruments at Fair Value:</b>					
Notice Deposits		-	5,524,964	-	5,524,964
Call Deposits		-	28,037,571	-	28,037,571
Short-term Portion of Investments		-	17,838,885	-	17,838,885
Bank Balances and Cash		-	103,695,417	-	103,695,417
<b>Total Financial Assets</b>		-	<b>155,096,837</b>	-	<b>155,096,837</b>
<b>FINANCIAL LIABILITIES: Financial Instruments at Fair Value:</b>					
Annuity Loans		-	219,097,288	-	219,097,288
Finance Lease Liabilities		-	2,176,914	-	2,176,914
Bank Overdraft		-	4,465	-	4,465
<b>Total Financial Liabilities</b>		-	<b>221,278,667</b>	-	<b>221,278,667</b>
<b>Total Financial Instruments</b>		-	<b>(66,181,830)</b>	-	<b>(66,181,830)</b>

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, Bank, Cash and Cash Equivalents and Equity, comprising Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.







## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY	
2010 R	2011 R

GROUP	
2011 R	2010 R

### Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

### Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the Annual Financial Statements.

### 49.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.8 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

#### 49.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

#### 49.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010	2011	2011	2010
R	R	R	R

### Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Notes 49.8 and 49.9 below.

#### Cash and Cash Equivalents:

##### Municipality:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2011 would have decreased / increased by R826 769 (2010: decreased / increased by R1 067 152). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

##### Group:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the group's:

- Surplus for the year ended 30 June 2011 would have decreased / increased by R846 941 (2010: decreased / increased by R1 078 686). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

### 49.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

#### Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

#### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY	
2010 R	2011 R

GROUP	
2011 R	2010 R

### 49.7 Credit Risk Management:

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

#### Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

#### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term Receivables and Other Debtors are individually evaluated annually at Statement of Financial Position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.





## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY	
2010	2011
R	R

GROUP	
2011	2010
R	R

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

### MUNICIPALITY

COUNTERPART AND LOCATION	30 JUNE 2011		30 JUNE 2010	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Hyprop Investments	-	615 951	-	-
San Lameer Estate Management	-	472 342	-	-
Sisonke District Municipality	-	426 960	-	590 172
South African Police Services (Jail)	-	413 025	-	789 105
Umdoni Municipality (Fire Hydrants)	-	384 428	-	-
Margate Police Station	-	-	-	517 037
T O Onderlinge Maatskappy	-	-	-	470 623
Department Public Works	-	-	-	386 061

### MUNICIPALITY

2010	2011
R	R
100	100
39 947	39 675
88 709 703	110 480 919
6 702 146	11 700 338
152 732 218	41 709 927
<b>248 184 115</b>	<b>163 930 960</b>
%	%
68%	65%
19%	21%
7%	5%
6%	9%
<b>100%</b>	<b>100%</b>
147 731 573	35 950 137
5 000 000	5 754 880
17 838 885	-
5 110	4 910
<b>170 575 568</b>	<b>41 709 927</b>

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Fixed Deposit Investments	-	-
Long-term Receivables	39 675	39 947
Trade Receivables from Exchange Transactions	110 480 919	88 709 703
Trade Receivables from Non-exchange Transactions	12 576 251	8 974 374
Bank, Cash and Cash Equivalents	43 477 405	155 092 372
<b>Maximum Credit and Interest Risk Exposure</b>	<b>166 574 250</b>	<b>252 816 397</b>

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

### Consumer Debtors:

- Household
- Industrial / Commercial
- National and Provincial Government
- Other Classes

### Total Credit Risk

Bank and Cash Balances		
ABSA Bank Ltd	37 705 430	149 848 941
First National Bank of SA Ltd	5 763 127	5 225 416
INCA	-	17 838 885
Cash Equivalents	8 848	22 481
<b>Total Bank and Cash Balances</b>	<b>43 477 405</b>	<b>172 935 722</b>



## Notes to the Consolidated Financial Statements continued for the year ended 30 June 2011

MUNICIPALITY		GROUP	
2010 R	2011 R	2011 R	2010 R
<b>Credit quality of Financial Assets:</b> The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:			
<b>Long-term Receivables</b>			
39 947	39 675	39 675	39 947
-	-	-	-
-	-	-	-
<b>39 947</b>	<b>39 675</b>	<b>39 675</b>	<b>39 947</b>
<b>Total Long-term Receivables</b>			
Trade Receivables from Exchange Transactions Counterparties without external credit rating:-			
16 497 499	20 801 197	20 801 197	16 497 499
3 142 381	-	-	3 142 381
-	-	-	-
<b>19 639 880</b>	<b>20 801 197</b>	<b>20 801 197</b>	<b>19 639 880</b>
<b>19 639 880</b>	<b>20 801 197</b>	<b>20 801 197</b>	<b>19 639 880</b>
<b>Total Trade Receivables from Exchange Transactions</b>			
<b>Trade Receivables from Non-exchange Transactions</b>			
-	-	502 417	-
-	-	-	-
-	1 483 307	1 459 071	-
<b>-</b>	<b>1 483 307</b>	<b>1 961 488</b>	<b>-</b>
<b>Total Trade Receivables from Non-exchange Transactions</b>			
<b>Credit Quality Groupings:</b> Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small. Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small. Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger. None of the financial assets that are fully performing have been renegotiated in the last year.			